



# **LOWNDES COUNTY BOARD OF EDUCATION VALDOSTA, GEORGIA**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015  
(Including Independent Auditor's Reports)**



LOWNDES COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL



## DEPARTMENT OF AUDITS AND ACCOUNTS

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**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

July 15, 2016

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Lowndes County Board of Education

### INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements (Exhibits A through I), which collectively comprise the Board's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County Board of Education, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2015, the Lowndes County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The School District restated beginning Net Position for the cumulative effect of these accounting changes. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages i through xi and pages 33 through 37 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lowndes County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 5 through 8, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2016, on our consideration of the Lowndes County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lowndes County Board of Education's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated Section 50-6-24.

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:er  
2015ARL-11

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**INTRODUCTION**

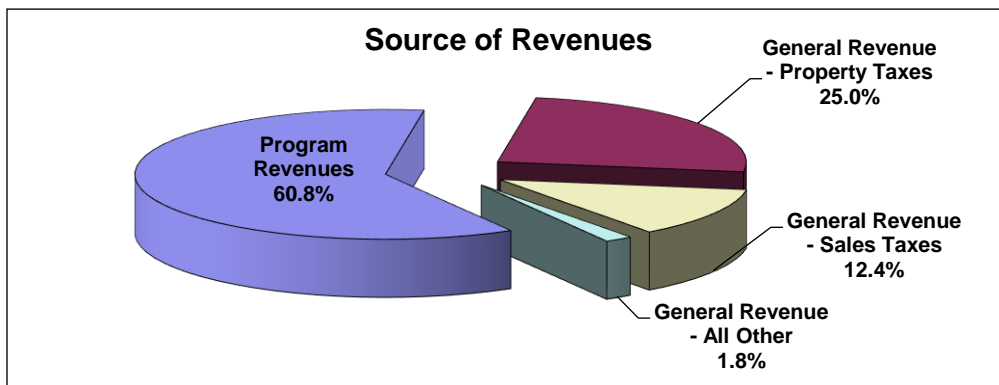
The District's financial statements for the fiscal year ended June 30, 2015 includes a series of basic financial statements that report financial information for the District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provide financial information about all of the District's activities and present both a short-term and long-term view of the District's finances on a global basis. The fund financial statements provide information about all of the District's funds. Information about these funds, such as the District's General Fund, is important in its own right, but will also give insight into the District's overall soundness as reported in the Statement of Net Position and the Statement of Activities.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2015 are as follows:

On the District-wide financial statements:

- The District's net position at June 30, 2015 was \$108.7 million. Net position reflects the difference between all assets and deferred outflows of resources of the District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term, and deferred inflows of resources. The net position at June 30, 2015 of \$108.7 million represented a decrease of about \$63.5 million when compared to the prior year, included in this decrease was a deduction of close to \$69.7 million for GASB Statement No. 68 and GASB Statement No. 71 as further described in the Notes to the Financial Statements outlined by the Net Position section of Note 2.
- The School District had \$94.3 million in expenses relating to governmental activities; about \$61.8 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of \$39.8 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$39.8 million or about 39.2% of all revenues totaling \$101.6 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these revenues.(Percentages in table below are rounded to one decimal place.)





LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

On the fund financial statements:

- Among major funds, the General Fund had \$91.4 million in revenues and \$88.7 million in expenditures. The General Fund balance of \$7.1 million at June 30, 2015 increased by \$2.7 million from the prior year. This increase in General Fund Balance of \$2.7 million was more than the Board anticipated based on its Final Amended Budget which only reflected a \$35 thousand increase in General Fund balance.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

These financial Statements consists of three parts; management's discussion and analysis (this section), the basic financial statements including notes to the financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the District-wide and fund financial statements.

The District-wide financial statements include the 'Statement of Net Position' and 'Statement of Activities'. These statements provide information about the activities of the School District presenting both short-term and long-term information about the School District's overall financial status.

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The 'Governmental Funds' statements disclose how basic services are financed in the short-term as well as what remains for future spending. The 'Fiduciary Funds' statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. In the case of the Lowndes County School District, the General Fund, Capital Projects Funds, and Debt Service Funds are all considered to be major funds. The District has no funds reported as nonmajor funds as defined by generally accepted accounting principles.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

### **District-wide Statements**

Since Lowndes County School District has no operations that have been classified as "Business Activities", the District-wide financial statements are basically a consolidation of all of the District's operating funds into one column called governmental activities. In reviewing the District-wide financial statements, a reader might ask the question, are we in a better financial position now than last year? The 'Statement of Net Position' and the 'Statement of Activities' provides the basis for answering this question. These financial statements include all of the District's assets and liabilities and uses the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

These two statements report the School District's net position and any changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, student-teacher ratios, and other factors.

When analyzing District-wide financial statements, it is important to remember these statements are prepared using an economic resources measurement focus (accrual accounting) and involve the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets
- Depreciate capital assets
- Report long-term debt as a liability
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position as follows:
  - *Net Investment in capital assets*
  - *Restricted net position* is amounts with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations.
  - *Unrestricted for no specific use*

### **Fund Financial Statements**

The School District uses many funds or sub-funds to account for a multitude of financial transactions during the fiscal year. The fund financial statements presented in this report provide detail information about the School District's significant or major funds. As discussed previously, the District has no nonmajor Funds as defined by generally accepted accounting principles.

The District has two kinds of funds as discussed below:

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual method of accounting which measures cash and all other financial assets that can be readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

Fiduciary Funds – The School District is the trustee, or fiduciary, for assets that belong to clubs, organizations and others within the principals' accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

Net position, which is the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, is one indicator of the financial condition of the District. When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as the District's operating results. The District's net position, as measured in the Statement of Net Position is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position - as measured in the Statement of Activities - is one indicator of whether its financial health is improving or deteriorating. However, the District's goal and mission is to provide success for each child's education, not to generate profits as private corporations do. For this reason, many other nonfinancial factors should be considered in assessing the overall health of the District.

In the case of the Lowndes County School District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by almost \$108.7 million at June 30, 2015. To better understand the District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net position category. For example, of the \$108.7 million of net position, almost \$13.5 million was restricted for continuation of various State and Federal programs, debt service and ongoing capital projects. Accordingly, these funds were not available to meet the District's ongoing obligations to citizens and creditors.

In addition, the District had just over \$171.8 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The District uses these capital assets to provide educational services to students within geographic boundaries served by the District. Because of the very nature and on-going use of the assets being reported in this component of net position, it must be recognized that this portion of the net position is *not* available for future spending.

The offsetting balance of *unrestricted net position* of almost -\$76.6 million is driven to a deficit due to the calculation of net position with net pension liabilities, uncapitalized bond proceeds and bonds outstanding. Otherwise, the unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors. These balances should be viewed in consideration with the Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position found at Exhibit "D", as well as the Fund Balance section of the Notes to the Financial Statements.

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Table 1 provides a summary of the School District's net position for this fiscal year as compared to the prior fiscal year.

**Table 1**  
**Net Position**

	Governmental Activities	
	Fiscal Year 2015	Fiscal Year 2014 (1)
<b>Assets</b>		
Current and Other Assets	\$ 35,317,524	\$ 30,931,585
Capital Assets, Net	179,153,576	184,154,317
<b>Total Assets</b>	<u>214,471,100</u>	<u>215,085,902</u>
<b>Deferred Outflows of Resources</b>	<u>10,899,260</u>	<u>0</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>225,370,360</u>	<u>215,085,902</u>
<b>Liabilities</b>		
Current and Other Liabilities	13,895,140	13,555,258
Long-Term Liabilities	81,989,766	29,326,908
<b>Total Liabilities</b>	<u>95,884,906</u>	<u>42,882,166</u>
<b>Deferred Inflows of Resources</b>	<u>20,827,380</u>	<u>0</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>116,712,286</u>	<u>42,882,166</u>
<b>Net Position</b>		
Net Investment in Capital Assets	171,774,469	169,695,916
Restricted	13,508,774	13,306,213
Unrestricted	-76,625,169	-10,798,393
<b>Total Net Position</b>	<u>\$ 108,658,074</u>	<u>\$ 172,203,736</u>

(1) Fiscal year 2014 balances do not reflect the effects on the Restatement of Net Position. See Note 2 in the Notes to the Basic Financial Statements for additional information.

Total net position decreased \$63.5 million in fiscal year 2015 from the prior year. The change in net position is detailed in Table 2 as presented below, yielding an increase of \$7.3 million prior to the decrease in net position due to a deduction of close to \$69.7 million for GASB Statement No. 68 and GASB Statement No. 71. Table 2 presents changes in net position as compared to the prior fiscal year. Readers should also view these balances in light of the Special Item further explained in Note 12 of the Notes to the Basic Financial Statements.

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Table 2**  
**Change in Net Position**

	Governmental Activities	
	Fiscal Year 2015	Fiscal Year 2014 (1)
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 1,804,226	\$ 1,736,043
Operating Grants and Contributions	59,348,862	56,220,999
Capital Grants and Contributions	617,760	
Total Program Revenues	<u>61,770,848</u>	<u>57,957,042</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	25,330,058	23,005,507
Other Taxes	62,598	108,917
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services	6,218,250	7,159,715
For Capital Projects	5,935,965	4,730,878
Other Sales Tax	412,344	351,132
Grants and Contributions not		
Restricted to Specific Programs	2,810,385	3,806,212
Investment Earnings	55,941	53,014
Miscellaneous	1,051,895	1,438,213
Special Items		
Loss on Disposal of Buildings and Equipment	-2,061,163	
Transfers	-14,165	-32,949
Total General Revenues, Special Items and Transfers	<u>39,802,108</u>	<u>40,620,639</u>
Total Revenues	<u>101,572,956</u>	<u>98,577,681</u>
<b>Program Expenses</b>		
Instruction	60,006,155	60,525,386
Support Services		
Pupil Services	3,552,717	3,330,976
Improvement of Instructional Services	2,787,349	2,672,191
Educational Media Services	1,392,916	1,337,618
General Administration	989,445	1,152,407
School Administration	4,331,924	4,341,517
Business Administration	1,175,836	743,228
Maintenance and Operation of Plant	7,296,595	7,525,626
Student Transportation Services	5,014,841	5,323,181
Central Support Services	760,260	644,075
Other Support Services	179,059	145,340
Operations of Non-Instructional Services		
Enterprise Operations	179,139	191,754
Community Services	4,038	3,117
Food Services	5,488,140	5,991,825
Interest on Short-Term and Long-Term Debt	1,098,586	1,416,831
Total Expenses	<u>94,257,000</u>	<u>95,345,072</u>
Increase in Net Position	<u>\$ 7,315,956</u>	<u>\$ 3,232,609</u>

(1) Fiscal Year 2014 balances do not reflect the effects on the Restatement of Net Position. See Note 2 in the Note to the Basic Financial Statements for additional information.

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Cost of Providing Services**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity as compared to the prior fiscal year.

Expenditures decreased about \$1.0 million, while net costs of services decreased \$5.0 million, due primarily to an increase in operating grants and contributions.

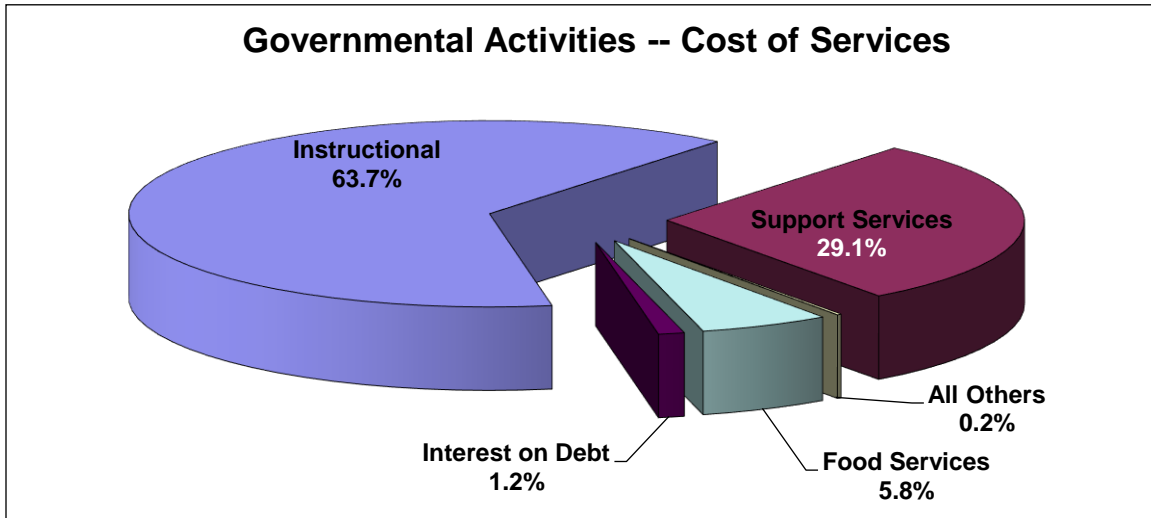
**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2015	Fiscal Year 2014 (1)	Fiscal Year 2015	Fiscal Year 2014 (1)
Instruction	\$ 60,006,155	\$ 60,525,386	\$ 17,111,458	\$ 20,812,551
Support Services:				
Pupil Services	3,552,717	3,330,976	2,720,639	2,464,476
Improvement of Instructional Services	2,787,349	2,672,191	813,370	699,714
Educational Media Services	1,392,916	1,337,618	59,317	29,824
General Administration	989,445	1,152,407	(616,759)	(432,216)
School Administration	4,331,924	4,341,517	1,763,276	1,788,919
Business Administration	1,175,836	743,228	1,148,676	723,972
Maintenance and Operation of Plant	7,296,595	7,525,626	4,001,935	4,192,933
Student Transportation Services	5,014,841	5,323,181	3,014,811	3,935,287
Central Support Services	760,260	644,075	742,550	617,108
Other Support Services	179,059	145,340	116,489	54,293
Operations of Non-Instructional Services:				
Enterprise Operations	179,139	191,754	179,140	191,754
Community Services	4,038	3,117	4,038	3,117
Food Services	5,488,140	5,991,825	328,627	889,467
Interest on Short-Term and Long-Term Debt	1,098,586	1,416,831	1,098,586	1,416,831
<b>Total Expenses</b>	<b>\$ 94,257,000</b>	<b>\$ 95,345,072</b>	<b>\$ 32,486,153</b>	<b>\$ 37,388,030</b>

(1) Fiscal Year 2014 balance do not reflect the effects on the Restatement of Net Position.  
Note 2 in the Notes to the Basic Financial Statements for additional information.

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The chart below shows a functional summary of the expenses made by the District during fiscal year 2015. The percentages are rounded to one decimal place.



#### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Information about the School District's governmental funds is presented starting on Exhibit "C" of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$103.6 million and total expenditures of \$99.9 million in fiscal year 2015. Total governmental fund balances of \$20.5 million at June 30, 2015, increased about \$3.7 million from the prior year. This increase in fund balance resulted primarily from the General Fund revenues exceeding expenditures by about \$2.7 million. This increase in General Fund Balance of roughly \$2.7 million was more than the Board anticipated based on its Final Amended Budget which reflected a \$35 thousand increase in General Fund balance.

#### General Fund Budget Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2015, the School District amended its general fund budget as needed.

The School District budget is adopted at the aggregate level and maintained at the fund, function and object levels to facilitate budgetary control. The budgeting systems are designed to control the total budget, but provide flexibility to meet the ongoing programmatic needs. The budgeting systems are also designed to control total site budgets but provide flexibility for site management as well.

For the General Fund, the final actual revenues of \$91.4 million were about \$1.0 million more than the final budget amount of \$90.4 million. This fact demonstrates the District's accurate and conservative approach to forecasting revenues for the fiscal year.

The General Fund's final actual expenditures of almost \$88.7 million were less than the final budget amount of \$90.4 million by roughly \$1.6 million. This variance was primarily due to actual expenditures for Instruction and Support Services coming in about \$1.3 million less than the budgeted amount and actual expenditures for food services were less than the budget amount by close to \$500 thousand.

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At fiscal year ended June 30, 2015, the School District had \$179.0 million invested in capital assets, net of accumulated depreciation, all in governmental activities. These assets are made up of a broad range of items including buildings; land; land improvements; and food service, transportation and maintenance equipment. Table 4 reflects a summary of these balances, net of accumulated depreciation, as compared to the prior fiscal year.

**Table 4  
Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	Fiscal Year 2015	Fiscal Year 2014
Land	\$ 35,957,463	\$ 35,891,580
Construction in Progress		16,853
Land Improvements	11,954,145	12,034,573
Buildings and Improvements	124,820,324	129,722,927
Equipment	6,421,644	6,488,384
Total	\$ 179,153,576	\$ 184,154,317

Additional information about the School District's Capital Assets can be found in the Notes to the Financial Statements. Also see Note 12: Special Items for impaired assets in fiscal year 2015.

**Long-Term Debt**

At June 30, 2015, the School District had just over \$22.2 million in total debt outstanding which consisted of about \$21.7 million in bond debt, \$322 thousand in capital lease debt and \$205 thousand in unamortized bond premiums. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

**Table 5  
Change in Long Term Debt**

	Governmental Activities	
	Fiscal Year 2015	Fiscal Year 2014
Bonds Payable	\$ 21,720,000	\$ 28,380,000
Capital Leases	322,362	478,563
Bond Premiums Amortized	205,252	468,345
Total	\$ 22,247,614	\$ 29,326,908



LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

On November 13, 2015, "Moody's Investors Service has affirmed the Aa3 general obligation rating of Lowndes County School District, GA". – Moody's Rating Update 13 Nov 2015 -

On February 24, 2016, "Standard & Poor's Ratings Services revised its outlook to stable from negative and affirmed its 'A+' underlying rating on Lowndes County School District, Georgia's General Obligation (GO) Debt. At the same time, Standard & Poor's affirmed its 'AA+' program rating, with a stable outlook, on the District's GO debt." "The outlook revision is based on our view of the stabilization of the District's finances, demonstrated by a strong unaudited surplus for 2015 and positive results projected for fiscal year 2016." – Standard & Poor's RatingsDirect February 24, 2016 –

Additional information about the School District's debt can be found in the Notes to the Basic Financial Statements.

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

Currently known circumstances that are expected to have a significant effect on financial position or results of operations in future years are as follows:

- The School District's operating millage for fiscal year 2015 was 16.848, which produced about \$1.50 million per mill. The millage rate for fiscal year 2016 remains constant with the fiscal year 2015 rate of 16.848 mills. The School District is growing at a rate of about 40-50 students per year. The District plans to use state capital outlay entitlement funds for repairing and renovating facilities and is evaluating the future need to construct additional facilities to accommodate the growth and reduce portable classrooms at various schools. The District plans to fund additional capital outlays with the one percent local sales tax revenue and remaining state capital outlay grants.
- The School District is beginning to realize some improvement through sound financial management after having weathered the past several years of economic lull. The 2015 tax digest levy can anticipate a bump up by approximately 2.75 percent due to re-assessment and some real growth. The amount of amended formula adjustment applied to the District's state funds resulted in a \$1.8 million increase in the District's QBE for fiscal year 2016. Revenues in fiscal year 2015 from property taxes increased roughly \$2.3 million from the prior year, State Funds and Federal Funds combined for the General Fund, increased by about \$2.9 million from the prior year.
- The General Fund had an unassigned fund balance of \$6.2 million at June 30, 2015, which is up about \$3.6 million from the prior year. The main drivers behind the District's surplus were strategic budgeting with savings incentives, a delay to the State's planned health insurance cost increases, and revenue collections coming in slightly above budget. The Board anticipates increases to health insurance costs for employees, staffing increases as enrollment grows and the increasing repair and maintenance costs to gradually be offset with updated facilities in future years. The School District will continue to be a good steward of tax dollars while providing a quality education.

LOWNDES COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

- In fiscal year 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB 68*. Implementation of these statements required the District to record a charge (decrease) to the District-wide Net Position at July 1, 2014 for the District's share of the Net Pension Liability for the pension plans administered through the Teachers' Retirement System of Georgia (TRS). Readers should understand implementation of (GASB) Statement 68 and 71 will not affect the District's Governmental Activities Fund Statements.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens' taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lee Goodman, Accountant at Lowndes County Board of Education, 1592 Norman Drive, Valdosta, Georgia, 31601. You may email your questions to [leegoodman@lowndes.k12.ga.us](mailto:leegoodman@lowndes.k12.ga.us).

LOWNDES COUNTY BOARD OF EDUCATION

LOWNDES COUNTY BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2015

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 15,178,401.52
Investments	8,251,917.29
Accounts Receivable, Net	
Taxes	3,617,148.76
State Government	6,866,873.00
Federal Government	888,290.91
Other	256,955.70
Inventories	255,066.78
Other Current Assets	2,869.62
Capital Assets, Non-Depreciable	35,957,463.32
Capital Assets, Depreciable (Net of Accumulated Depreciation)	143,196,112.97
 Total Assets	 214,471,099.87
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	10,899,259.68
<u>LIABILITIES</u>	
Accounts Payable	2,626,057.59
Salaries and Benefits Payable	10,624,999.31
Interest Payable	360,843.43
Deposits and Unearned Revenues	283,240.00
Long-Term Liabilities	
Due Within One Year	7,275,501.38
Due in More Than One Year	14,972,113.01
Net Pension Liability	59,742,151.00
 Total Liabilities	 95,884,905.72
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	20,827,380.00
<u>NET POSITION</u>	
Net Investment in Capital Assets	171,774,469.11
Restricted for	
Continuation of Federal Programs	528,447.19
Debt Service	5,746,454.60
Capital Projects	7,233,872.09
Unrestricted (Deficit)	-76,625,169.16
 Total Net Position	 \$ 108,658,073.83

The notes to the basic financial statements are an integral part of this statement.

LOWNDES COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 60,006,154.56	\$ 550,549.05
Support Services		
Pupil Services	3,552,717.05	
Improvement of Instructional Services	2,787,349.25	
Educational Media Services	1,392,915.57	
General Administration	989,444.88	
School Administration	4,331,924.01	
Business Administration	1,175,835.98	
Maintenance and Operation of Plant	7,296,594.80	
Student Transportation Services	5,014,841.16	
Central Support Services	760,260.18	
Other Support Services	179,059.17	
Operations of Non-Instructional Services		
Enterprise Operations	179,139.54	
Community Services	4,038.24	
Food Services	5,488,140.24	1,253,676.87
Interest on Short-Term and Long-Term Debt	1,098,585.59	
	\$ 94,257,000.22	\$ 1,804,225.92
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Other Taxes		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Special Item		
Loss on Disposal of Buildings and Equipment		
Transfers		
Total General Revenues, Special Item and Transfers		
Change in Net Position		
Net Position - Beginning of Year, Restated		
Net Position - End of Year		

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
\$ 42,344,147.87		\$ -17,111,457.64
832,078.31		-2,720,638.74
1,973,979.55		-813,369.70
1,333,598.35		-59,317.22
1,606,203.40		616,758.52
2,568,647.95		-1,763,276.06
27,159.47		-1,148,676.51
3,294,659.32		-4,001,935.48
1,382,269.68	\$ 617,760.00	-3,014,811.48
17,710.60		-742,549.58
62,570.48		-116,488.69
		-179,139.54
		-4,038.24
3,905,836.82		-328,626.55
		-1,098,585.59
<u>\$ 59,348,861.80</u>	<u>\$ 617,760.00</u>	<u>-32,486,152.50</u>
		25,330,057.91
		62,598.08
		6,218,249.48
		5,935,965.20
		412,344.25
		2,810,385.11
		55,940.63
		1,051,895.41
		-2,061,162.64
		-14,164.76
		<u>39,802,108.67</u>
		7,315,956.17
		<u>101,342,117.66</u>
		\$ <u><u>108,658,073.83</u></u>

LOWNDES COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 6,179,281.30	\$ 6,384,111.25	\$ 2,615,008.97	\$ 15,178,401.52
Investments	4,759,628.23		3,492,289.06	8,251,917.29
Accounts Receivable, Net				
Taxes	2,591,772.67	1,025,376.09		3,617,148.76
State Government	6,866,873.00			6,866,873.00
Federal Government	888,290.91			888,290.91
Other	256,955.70			256,955.70
Inventories	255,066.78			255,066.78
Other Current Assets	2,869.62			2,869.62
Total Assets	\$ 21,800,738.21	\$ 7,409,487.34	\$ 6,107,298.03	\$ 35,317,523.58
 <u>LIABILITIES</u>				
Accounts Payable	\$ 2,450,442.35	\$ 175,615.25		\$ 2,626,057.60
Salaries and Benefits Payable	10,624,999.31			10,624,999.31
Deposits and Unearned Revenue	283,240.00			283,240.00
Total Liabilities	13,358,681.66	175,615.25		13,534,296.91
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	1,324,341.53			1,324,341.53
 <u>FUND BALANCES</u>				
Nonspendable	255,066.78			255,066.78
Restricted	333,789.47	7,233,872.09	\$ 6,107,298.03	13,674,959.59
Committed	226,804.18			226,804.18
Assigned	75,172.04			75,172.04
Unassigned	6,226,882.55			6,226,882.55
Total Fund Balances	7,117,715.02	7,233,872.09	6,107,298.03	20,458,885.14
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 21,800,738.21	\$ 7,409,487.34	\$ 6,107,298.03	\$ 35,317,523.58

The notes to the basic financial statements are an integral part of this statement.

LOWNDES COUNTY BOARD OF EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 20,458,885.14

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 35,957,463.32	
Land Improvements	16,608,860.18	
Buildings and Improvements	160,577,178.21	
Equipment	16,862,039.73	
Accumulated Depreciation	<u>-50,851,965.15</u>	
Total Capital Assets		179,153,576.29

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

Net Pension Liability		-59,742,151.00
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Deferred Outflows and Inflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

-9,928,120.32

Taxes that are not available to pay for current period expenditures are deferred in the funds.

Property Taxes		1,324,341.53
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Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. These consist of:

Bonds Payable	\$ -21,720,000.00	
Accrued Interest Payable	-360,843.43	
Capital Leases Payable	-322,361.93	
Bond Premiums, Net of Amortization	<u>-205,252.45</u>	
Total Long-Term Liabilities		<u>-22,608,457.81</u>

Net Position of Governmental Activities (Exhibit "A") \$ 108,658,073.83

The notes to the basic financial statements are an integral part of this statement.



LOWNDES COUNTY BOARD OF EDUCATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 25,164,441.61			\$ 25,164,441.61
Sales Taxes	412,344.25	\$ 5,935,965.20	\$ 6,218,249.48	12,566,558.93
State Funds	53,955,582.32			53,955,582.32
Federal Funds	8,983,958.29			8,983,958.29
Charges for Services	1,804,225.92			1,804,225.92
Investment Earnings	36,433.72	18,537.84	969.07	55,940.63
Miscellaneous	1,051,895.41			1,051,895.41
	<u>91,408,881.52</u>	<u>5,954,503.04</u>	<u>6,219,218.55</u>	<u>103,582,603.11</u>
Total Revenues				
<u>EXPENDITURES</u>				
Current				
Instruction	56,135,702.26	1,536,917.00		57,672,619.26
Support Services				
Pupil Services	3,421,968.20			3,421,968.20
Improvement of Instructional Services	2,825,845.49			2,825,845.49
Educational Media Services	1,339,668.49			1,339,668.49
General Administration	922,815.25			922,815.25
School Administration	4,387,927.27			4,387,927.27
Business Administration	1,176,177.84			1,176,177.84
Maintenance and Operation of Plant	7,002,355.63	263,384.37		7,265,740.00
Student Transportation Services	5,215,975.97	15,769.67		5,231,745.64
Central Support Services	690,999.69	81,181.28		772,180.97
Other Support Services	178,692.26			178,692.26
Enterprise Operations	179,139.54			179,139.54
Community Services	4,038.24			4,038.24
Food Services Operation	5,247,448.83			5,247,448.83
Capital Outlay		1,204,680.84		1,204,680.84
Debt Services				
Principal		156,201.04	6,660,000.00	6,816,201.04
Dues and Fees			5,122.09	5,122.09
Interest	15,871.44	10,097.68	1,209,680.00	1,235,649.12
	<u>88,744,626.40</u>	<u>3,268,231.88</u>	<u>7,874,802.09</u>	<u>99,887,660.37</u>
Total Expenditures				
Excess of Revenues over (under) Expenditures	2,664,255.12	2,686,271.16	-1,655,583.54	3,694,942.74
Transfers Out	<u>-14,164.76</u>			<u>-14,164.76</u>
Net Change in Fund Balances	2,650,090.36	2,686,271.16	-1,655,583.54	3,680,777.98
Fund Balances - Beginning	<u>4,467,624.66</u>	<u>4,547,600.93</u>	<u>7,762,881.57</u>	<u>16,778,107.16</u>
Fund Balances - Ending	<u>\$ 7,117,715.02</u>	<u>\$ 7,233,872.09</u>	<u>\$ 6,107,298.03</u>	<u>\$ 20,458,885.14</u>

The notes to the basic financial statements are an integral part of this statement.

LOWNDES COUNTY BOARD OF EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2015

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ 3,680,777.98

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$ 1,717,218.55	
Depreciation Expense	<u>-4,578,376.25</u>	
Excess of Capital Outlay over Depreciation Expense		-2,861,157.70

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. -2,139,582.82

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 228,214.38

Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Capital Lease Payments	156,201.04	
Bond Principal Retirements	\$ 6,660,000.00	
Amortization of Bond Premium	<u>263,093.07</u>	
Total Long-Term Debt Repayments		7,079,294.11

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. The net effect of these adjustments are:

Net Decrease in Accrued Interest	\$ 137,063.53	
Pension Expense	<u>1,191,346.69</u>	
Total Additional Expenditures		<u>1,328,410.22</u>

Change in Net Position of Governmental Activities (Exhibit "B") \$ 7,315,956.17

The notes to the basic financial statements are an integral part of this statement.

LOWNDES COUNTY BOARD OF EDUCATION  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2015

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,373.04	\$ 562,984.20
Investments	846.43	
Total Assets	\$ 2,219.47	\$ 562,984.20
 <u>LIABILITIES</u>		
Funds Held for Others	0.00	\$ 562,984.20
 <u>NET POSITION</u>		
Held in Trust for Private Purposes	\$ 2,219.47	

The notes to the basic financial statements are an integral part of this statement.

LOWNDES COUNTY BOARD OF EDUCATION  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2015

EXHIBIT "H"

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Investment Earnings	
Interest	\$ <u>1.32</u>
<u>DEDUCTIONS</u>	
Other Deductions	<u>0.00</u>
Change in Net Position	1.32
Net Position - Beginning	<u>2,218.15</u>
Net Position - Ending	\$ <u><u>2,219.47</u></u>

The notes to the basic financial statements are an integral part of this statement.

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## **NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY**

### **REPORTING ENTITY**

The Lowndes County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

## **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **BASIS OF PRESENTATION**

The School District's basic financial statements are collectively comprised of the District-wide financial statements, fund financial statements and notes to the basic financial statements of the Lowndes County Board of Education.

#### **District-wide Statements:**

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

#### **Fund Financial Statements:**

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund types:

- Private Purpose Trust funds report trust arrangements under which principal and income benefit a possible selection of various graduating seniors to which may receive scholarships.
- Agency funds account for assets held by the School District as an agent for various funds, governments or individuals.

### **BASIS OF ACCOUNTING**

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, both restricted and unrestricted resources are available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

### **RESTATEMENT OF PRIOR YEAR NET POSITION**

For fiscal year 2015, the School District made several prior period adjustments due to the adoption of GASB Statement No. 68 and GASB Statement No. 71, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2014, net position in Governmental Activities. The result is a decrease in Net Position at July 1, 2014 of \$70,861,618.00. This change is in accordance with generally accepted accounting principles.

LOWNDES COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2015

EXHIBIT "I"

Net Position, July 1, 2014, as previously reported	\$	172,203,735.66
Prior Period adjustment - Implementation of GASB 68:		
Net Pension Liability (measurement date)		
TRS		-76,785,870.00
Deferred Outflows - School District's contribution made during fiscal year 2014		
TRS		5,924,252.00
 Net Position, July 1, 2014, as restated	 \$	 <u><u>101,342,117.66</u></u>

**NEW ACCOUNTING PRONOUNCEMENTS**

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The adoption of this statement has a significant impact on the School District's financial statements. As noted above the School District restated beginning Net Position for the cumulative effect of this accounting change.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The School District did not have any activities of this type during the fiscal year and the adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions. The adoption of this statement has a significant impact on the School District's financial statements. As noted above the School District restated beginning Net Position for the cumulative effect of this accounting change.

**CASH AND CASH EQUIVALENTS**

**Composition of Deposits**

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated Section 45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

**INVESTMENTS**

**Composition of Investments**

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported



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at amortized cost. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity. Funds may be invested in the following:

1. Obligations issued by the State of Georgia or by other states,
2. Obligations issued by the United States government,
3. Obligations fully insured or guaranteed by the United States government or a United States government agency,
4. Obligations of any corporation of the United States government,
5. Prime banker's acceptances,
6. The local government investment pool (Georgia Fund 1) administered by the State of Georgia, Office of the State Treasurer,
7. Repurchase agreements, and
8. Obligations of other political subdivisions of the State of Georgia.

The School District does not have a formal policy regarding investment policies that address credit risks, custodial credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

#### RECEIVABLES

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

#### PROPERTY TAXES

The Lowndes County Board of Commissioners adopted the property tax levy for the 2014 tax digest year (calendar year) on July 22, 2014 (levy date) based on property values as of January 1, 2014. Taxes were due on November 15, 2014 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2014 tax digest are reported as revenue in the governmental funds for fiscal year 2015. The Lowndes County Tax Commissioner bills and collects the property taxes for the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2015, for maintenance and operations amounted to \$24,221,764.47.

The tax millage rate levied for the 2014 tax year (calendar year) for the Lowndes County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>16.848</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$880,079.06 during fiscal year ended June 30, 2015.

#### SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$12,154,214.68 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

**INVENTORIES**

**Food Inventories**

On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their Federally assigned value and purchased foods inventories are reported at cost (first-in, first-out). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

**CAPITAL ASSETS**

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. As indicated in Note 12, the School District recognized an impaired asset and it is reflected as a special item on Exhibit B. During the fiscal year under review, no other events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

Capitalization thresholds and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Policy	Useful Life
Land	Any Amount	N/A
Land Improvements	\$ 100,000.00	20 to 50 years
Buildings and Improvements	\$ 50,000.00	15 to 50 years
Equipment	\$ 25,000.00	5 to 30 years
Intangible Assets	\$ 1,000,000.00	30 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives, with the exception of intangible assets which are amortized.

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets.

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position and/or the balance sheet will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. Under the full accrual method of accounting, the School District has reported deferred outflows of resources related to a defined benefit pension plan, as discussed in Note 15 – Retirement Plans.

In addition to liabilities, the statement of net position and/or the balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Under the full accrual method of accounting, the School District has reported deferred inflows of resources related to a defined benefit pension plan, as discussed in Note 15 – Retirement Plans. This item is reported only in the District-wide Statement of Net Position. Additionally, the School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reporting only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and this amount is deferred and will be recognized as an inflow of resources in the period in which the amount becomes available.

### GENERAL OBLIGATION BONDS

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Position.

### PENSIONS

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia (TRS), and the Public School Employees Retirement System (PSERS) and additions to/deductions from TRS/PSERS's fiduciary net position have been determined on the same basis as they are reported by TRS/PSERS's. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 15 - Retirement Plans.

### NET POSITION

The School District's Net Position in the District-wide Statements is classified as follows:

**Net Investment in Capital Assets** - This represents the School District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

**Restricted Net Position** - This represents resources for which the School District is legally or contractually obligated to spend resources for continuation of Federal programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

**Unrestricted Net Position** - Unrestricted Net Position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of Net Investment of Capital Assets and Restricted Net Position. Included in the net deficit reported is the School District's Net Pension Liability of \$59,742,151.00 which is required for financial reporting.

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**FUND BALANCES**

The School District's fund balances are classified as follows:

**Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – Constraints are placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

**Committed** – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – Amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board of Education or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

**Unassigned** – The residual classification for the General Fund. This classification represents fund balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

Fund Balances of the Governmental Funds at June 30, 2015, are as follows:

Nonspendable					
Inventories				\$	255,066.78
Restricted					
Continuation of Federal Programs	\$	333,789.47			
Capital Projects		7,233,872.09			
Debt Service		6,107,298.03		13,674,959.59	
Committed					
School Activity Accounts				226,804.18	
Assigned					
Self-Insurance				75,172.04	
Unassigned					6,226,882.55
Fund Balance, June 30, 2015				\$	20,458,885.14

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

**USE OF ESTIMATES**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **NOTE 3: BUDGETARY DATA**

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except for the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of Official Code of Georgia Annotated Section 20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

Any position or expenditure not previously approved in the annual budget that exceeds \$25,000.00 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See Schedule 4 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

### **NOTE 4: DEPOSITS AND INVESTMENTS**

#### **COLLATERALIZATION OF DEPOSITS**

Official Code of Georgia Annotated (O.C.G.A.) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. Section 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

Acceptable security for deposits consists of any one of or any combination of the following:

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation,
3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
4. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

6. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
7. Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

**CATEGORIZATION OF DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2015, the School District had deposits with a carrying amount of \$15,742,758.76, and a bank balance of \$16,638,172.20. The bank balances insured by Federal depository insurance were \$1,039,829.30, and the bank balances collateralized with securities held by the pledging institution or by the pledging financial institution's trust department or agent in the School District's name were \$15,512,940.28.

The amounts exposed to custodial credit risk are classified into three categories as follows:

- Category 1 - Uncollateralized,
- Category 2 - Cash collateralized with securities held by the pledging financial institution,  
or
- Category 3 - Cash collateralized with securities held by the pledging financial institution’s trust department or agent but not in the School District’s name.

The School District’s deposits by custodial risk category at June 30, 2015, are as follows:

Custodial Credit Risk Category	Bank Balance
1	\$ 0.00
2	85,402.62
3	0.00
Total	\$ 85,402.62

**CATEGORIZATION OF INVESTMENTS**

At June 30, 2015, the carrying value of the School District’s total investments was \$8,252,763.72, which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1 (local government investment pool) administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at <http://www.audits.ga.gov/SGD/cafr.html>.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool’s share price, \$1.00 per share. The pool is an AAf rated investment pool by Standard and Poor’s. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2015, was 56 days.



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**NOTE 5: NON-MONETARY TRANSACTIONS**

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their Federally assigned value. See Note 2 - Inventories.

**NOTE 6: CAPITAL ASSETS**

The following is a summary of changes in the Capital Assets during the fiscal year:

	Balances July 1, 2014	Increases	Decreases	Balances June 30, 2015
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 35,891,580.22	\$ 65,883.10		\$ 35,957,463.32
Construction Work in Progress	16,852.71		\$ 16,852.71	0.00
Total Capital Assets, not Being Depreciated	35,908,432.93	65,883.10	16,852.71	35,957,463.32
Capital Assets, Being Depreciated:				
Buildings and Improvements	163,993,292.58	350,497.00	3,766,611.37	160,577,178.21
Equipment	16,545,998.86	900,630.45	584,589.58	16,862,039.73
Land Improvements	16,385,274.47	417,060.71	193,475.00	16,608,860.18
Less: Accumulated Depreciation:				
Buildings and Improvements	34,270,366.12	3,269,589.30	1,783,101.36	35,756,854.06
Equipment	10,057,614.56	880,707.29	497,925.57	10,440,396.28
Land Improvements	4,350,701.35	428,079.66	124,066.20	4,654,714.81
Total Capital Assets, Being Depreciated, Net	148,245,883.88	-2,910,188.09	2,139,582.82	143,196,112.97
Governmental Activity Capital Assets, Net	\$ 184,154,316.81	\$ -2,844,304.99	\$ 2,156,435.53	\$ 179,153,576.29

Capital assets acquired under capital leases as of June 30, 2015, are as follows:

	Governmental Activities
Equipment	\$ 797,835.00
Less: Accumulated Depreciation	178,500.42
	\$ 619,334.58

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Current year depreciation expense by function is as follows:

Instruction		\$	3,219,755.72
Support Services			
Pupil Services	\$		174,436.27
Educational Media Services			73,316.59
General Administration			77,031.92
School Administration			18,019.51
Business Administration			7,060.00
Maintenance and Operation of Plant			95,919.86
Student Transportation Services			536,208.54
Central Support Services			540.00
Other Support Services			1,280.25
			983,812.94
Food Services			374,807.59
			\$ 4,578,376.25

**NOTE 7: INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2015, consisted of the following:

		Transfers	
		From	
<u>Transfer to</u>		General Fund	
Agency Funds	\$	14,164.76	

Transfers are used to move funds from Governmental School Activity Accounts to Agency School Activity Accounts as various expenditures are paid on behalf of these Agency accounts.

**NOTE 8: RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; acts of God and unemployment compensation.

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions and acts of God. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District is self-insured with regard to unemployment compensation claims. In connection with this program, a self-insurance reserve has been established within the General Fund by the School District. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.



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Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2014	\$ 0.00	\$ 7,877.38	\$ 0.00	\$ 7,877.38
2015	\$ 7,877.38	\$ 6,186.29	\$ 8,933.38	\$ 5,130.29

The School District participates in the Georgia Education Workers' Compensation Trust, a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general worker's compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1.0 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2.0 million. The Trust covers the first \$1.0 million of each Employers liability claim with Safety National providing additional Employers Liability limits up to a \$2.0 million per occurrence maximum. Safety National Casualty Company also provides \$2.0 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

The School District has purchased a surety bond to provide additional insurance coverage as follows:

Position Covered	Amount
Superintendent	\$ 25,000.00

**NOTE 9: SHORT-TERM DEBT**

The School District issued a tax anticipation note in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75% of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

Short-term debt activity for the fiscal year is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Temporary Loans	\$ 0.00	\$ 2,000,000.00	\$ 2,000,000.00	\$ 0.00

**NOTE 10: LONG-TERM LIABILITIES**

**CAPITAL LEASES**

The Lowndes County Board of Education entered into a lease agreement for the purchase of buses. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

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**GENERAL OBLIGATION DEBT OUTSTANDING**

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2006	3.576%	\$ 10,000,000.00
General Government - Series 2008	3.520% - 3.730%	9,595,000.00
General Government - Series 2009	3.560%	<u>2,125,000.00</u>
		<u>\$ 21,720,000.00</u>

Voters have authorized \$50,000,000.00 in general obligation debt for capital outlay projects which was not issued as of June 30, 2015.

The changes in Long-Term Liabilities during the fiscal year ended June 30, 2015, were as follows:

	<u>Governmental Activities</u>				
	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
G. O. Bonds	\$ 28,380,000.00	\$ 0.00	\$ 6,660,000.00	\$ 21,720,000.00	\$ 6,940,000.00
Capital Leases	478,562.98		156,201.04	322,361.94	159,496.88
Bond Premium Amortized	<u>468,345.52</u>		<u>263,093.07</u>	<u>205,252.45</u>	<u>176,004.50</u>
	<u>\$ 29,326,908.50</u>	<u>\$ 0.00</u>	<u>\$ 7,079,294.11</u>	<u>\$ 22,247,614.39</u>	<u>\$ 7,275,501.38</u>

At June 30, 2015, payments due by fiscal year which includes principal and interest for these items are as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 159,496.88	\$ 6,801.84
2017	<u>162,865.06</u>	<u>3,433.67</u>
Total Principal and Interest	<u>\$ 322,361.94</u>	<u>\$ 10,235.51</u>

<u>Fiscal Year Ended June 30:</u>	<u>General Obligation Debt</u>		<u>Unamortized Bond Premium</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 6,940,000.00	\$ 876,680.00	\$ 176,004.50
2017	7,235,000.00	529,680.00	29,247.95
2018	<u>7,545,000.00</u>	<u>269,809.20</u>	
Total Principal and Interest	<u>\$ 21,720,000.00</u>	<u>\$ 1,676,169.20</u>	<u>\$ 205,252.45</u>

**NOTE 11: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$246,897.72 for retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education

Paid to the Teachers' Retirement System of Georgia  
For Teachers' Retirement System (TRS) Employer's Cost  
In the amount of \$28,952.72

Office of the State Treasurer

Paid to the Public School Employees Retirement System  
For Public School Employees Retirement (PSERS) Employer's Cost  
In the amount of \$217,945.00

Funds paid on behalf of the School District are reported in governmental funds. See Note 15 - Retirement Plans for the State support related to the Net Pension Liability.

**NOTE 12: SPECIAL ITEM**

In fiscal year 2015, the Lowndes County Board of Education determined that the Old Pine Grove Elementary School is no longer being used for its intended service utility and is considered impaired. The School District reported an impairment loss, in the amount of \$2,061,162.64, for the related buildings, land improvements, and equipment. This activity is reported as a Special Item on the Statement of Activities.

**NOTE 13: SIGNIFICANT CONTINGENT LIABILITIES**

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

**NOTE 14: POST-EMPLOYMENT BENEFITS**

**GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND**

**Plan Description.** The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees' Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

LOWNDES COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

EXHIBIT "I"

**Funding Policy.** The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25% of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected “pay-as-you-go” financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2015:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

July 1, 2014 - June 30, 2015   \$945.00 per member per month

For non-certificated school personnel:

July 1, 2014 - June 30, 2015   \$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2015 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

The School District’s combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year and the preceding two fiscal years were as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2015	100%	\$ 9,781,797.02
2014	100%	\$ 9,780,929.06
2013	100%	\$ 8,973,455.46

**NOTE 15: RETIREMENT PLANS**

Lowndes County Board of Education participates in various retirement plans administered by the State of Georgia as further explained below.

**TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)**

**Plan Description:** All teachers of the School District as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) and certain other support personnel as defined by §47-3-63 are provided pension through the Teachers' Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers' Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at [www.trsga.com/publications](http://www.trsga.com/publications).

**Benefits Provided:** TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

**Contributions:** Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2015. The School District's contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual School District payroll. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2015	100%	\$ 6,354,735.40
2014	100%	\$ 5,951,158.32
2013	100%	\$ 5,540,978.64

**PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)**

**Plan description:** PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers' Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at [www.ers.ga.gov/formspubs/formspubs](http://www.ers.ga.gov/formspubs/formspubs).

LOWNDES COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2015

EXHIBIT "I"

**Benefits provided:** A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of \$14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

**Contributions:** The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension***

At June 30, 2015, the School District reported a liability of \$59,742,151.00 for its proportionate share of the Net Pension Liability for TRS.

The TRS Net Pension Liability reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amount recognized by the School District as its proportionate share of the Net Pension Liability, the related State of Georgia support, and the total portion of the Net Pension Liability that was associated with the School District were as follows:

School District's proportionate share of the Net Pension Liability	\$	59,742,151.00
State of Georgia's proportionate share of the Net Pension Liability associated with the School District		276,425.00
Total	\$	60,018,576.00

The Net Pension Liability was measured as of June 30, 2014. The total pension liability used to calculate the Net Pension Liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The School District's proportion of the Net Pension Liability was based on contributions to TRS during the fiscal year ended June 30, 2014.

At June 30, 2014, the School District's TRS proportion was 0.472880%, which was an increase of 0.032212% from its proportion measured as of June 30, 2013.

LOWNDES COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2015

EXHIBIT "I"

At June 30, 2015, the School District did not have a PSERS liability for a proportionate share of the Net Pension Liability because of a Special Funding Situation with the State of Georgia, which is responsible for the Net Pension Liability of the plan. The amount of the State's proportionate share of the Net Pension Liability associated with the School District is \$892,608.00.

The PSERS Net Pension Liability was measured as of June 30, 2014. The total pension liability used to calculate the Net Pension Liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The State's proportion of the Net Pension Liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2014.

For the year ended June 30, 2015, the School District recognized pension expense of \$5,134,436.00 for TRS and \$77,517.00 for PSERS and revenue of \$6,847.00 for TRS and \$77,517.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$ 20,827,380.00
Changes in proportion and differences between School District contributions and proportionate share of contributions	\$ 4,573,477.00	
School District contributions subsequent to the measurement date	6,325,782.68	
Total	\$ 10,899,259.68	\$ 20,827,380.00

Lowndes County Board of Education contributions subsequent to the measurement date of June 30, 2014 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	TRS	
Year Ended June 30:		
2016	\$	-4,167,417.00
2017	\$	-4,167,417.00
2018	\$	-4,167,417.00
2019	\$	-4,167,422.00
2020	\$	415,770.00

LOWNDES COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2015

EXHIBIT "I"

**Actuarial assumptions:** The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

**Teachers' Retirement System:**

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

**Public School Employees Retirement System:**

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on TRS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
Total	100.00%	

\* Rates shown are net of the 3.00% assumed rate of inflation



**Discount rate:** The discount rate used to measure the total TRS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Lowndes County Board of Education's proportionate share of the Net Pension Liability to changes in the discount rate:** The following presents the School District's proportionate share of the Net Pension Liability calculated using the discount rate of 7.50 %, as well as what the School District's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

**Teachers' Retirement System:**

	1% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the Net Pension Liability	\$ 110,096,768.00	\$ 59,742,151.00	\$ 18,276,169.00

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and PSERS financial report which is publically available at [www.trsga.com/publications](http://www.trsga.com/publications) and [www.ers.ga.gov/formspubs/formspubs](http://www.ers.ga.gov/formspubs/formspubs).

**DEFINED CONTRIBUTION PLAN**

In 1982, Lowndes County Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees Retirement System (PSERS) and Teachers' Retirement System (TRS). Recognizing that PSERS and TRS were limited defined contribution and defined benefit plans which did not provide for an adequate retirement for these groups of employees, it was the Board's desire to supplement the retirement of these groups.

The Board selected Metlife, Valic, Hartford, ABC Planmember Services, and Aspire as the providers of these plans. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to 6 percent of the employee's base pay. In fiscal year 2012, the Board's contribution method for employees covered under TRS changed. The Board now matches up to 6% of the TRS covered employee's contribution.

The employee becomes vested in the plan upon enrollment.

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment with the Lowndes County Board of Education. Funds are available for financial hardships and loans.

LOWNDES COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

EXHIBIT "I"

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2015	100%	\$ 2,311,133.08
2014	100%	\$ 2,398,188.99
2013	100%	\$ 2,528,108.96

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LOWNDES COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHERS' RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE "1"

	2015
School District's proportion of the net pension liability	0.472880%
School District's proportionate share of the net pension liability	\$ 59,742,151.00
State of Georgia's proportionate share of the net pension liability associated with the School District	276,425.00
Total	\$ 60,018,576.00
School District's covered-employee payroll	\$ 48,462,201.30
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	123.28%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available. Schedule includes all significant plans and funds administered by Lowndes County Board of Education.

LOWNDES COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 TEACHERS' RETIREMENT SYSTEM OF GEORGIA  
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 6,354,735.40	\$ 5,951,158.32	\$ 5,540,978.64	\$ 4,939,079.84
Contributions in relation to the contractually required contribution	\$ <u>6,354,735.40</u>	\$ <u>5,951,158.32</u>	\$ <u>5,540,978.64</u>	\$ <u>4,939,079.84</u>
Contribution deficiency (excess)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
School District's covered-employee payroll	\$ 48,328,246.43	\$ 48,462,201.30	\$ 48,562,477.13	\$ 48,045,523.74
Contributions as a percentage of covered-employee payroll	13.15%	12.28%	11.41%	10.28%

SCHEDULE "2"

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 5,097,805.16	\$ 4,944,173.66	\$ 4,681,279.27	\$ 4,442,606.60	\$ 4,138,780.69	\$ 3,835,645.00
<u>\$ 5,097,805.16</u>	<u>\$ 4,944,173.66</u>	<u>\$ 4,681,279.27</u>	<u>\$ 4,442,606.60</u>	<u>\$ 4,138,780.69</u>	<u>\$ 3,835,645.00</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
\$ 49,589,544.36	\$ 50,761,536.55	\$ 50,444,819.72	\$ 47,872,915.95	\$ 44,598,929.85	\$ 41,511,309.52
10.28%	9.74%	9.28%	9.28%	9.28%	9.24%

**Teachers' Retirement System**

**Changes of assumptions :** In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

**Method and assumptions used in calculations of actuarially determined contributions :** The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2015 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

LOWNDES COUNTY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2015

SCHEDULE "4"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
<b>REVENUES</b>				
Property Taxes	\$ 24,909,425.00	\$ 24,909,425.00	\$ 25,164,441.61	\$ 255,016.61
Sales Taxes	451,357.00	451,357.00	412,344.25	-39,012.75
State Funds	52,395,814.00	52,435,359.00	53,955,582.32	1,520,223.32
Federal Funds	9,718,461.00	9,816,138.00	8,983,958.29	-832,179.71
Charges for Services	2,271,452.00	2,271,452.00	1,804,225.92	-467,226.08
Investment Earnings	26,417.00	26,417.00	36,433.72	10,016.72
Miscellaneous	486,064.00	486,064.00	1,051,895.41	565,831.41
<b>Total Revenues</b>	<b>90,258,990.00</b>	<b>90,396,212.00</b>	<b>91,408,881.52</b>	<b>1,012,669.52</b>
<b>EXPENDITURES</b>				
Current				
Instruction	58,270,053.00	57,850,764.00	56,135,702.26	1,715,061.74
Support Services				
Pupil Services	3,498,114.00	3,526,550.00	3,421,968.20	104,581.80
Improvement of Instructional Services	2,921,513.00	2,952,003.00	2,825,845.49	126,157.51
Educational Media Services	1,322,211.00	1,322,211.00	1,339,668.49	-17,457.49
General Administration	971,167.00	971,669.00	922,815.25	48,853.75
School Administration	4,384,148.00	4,377,918.00	4,387,927.27	-10,009.27
Business Administration	1,341,691.00	1,151,545.00	1,176,177.84	-24,632.84
Maintenance and Operation of Plant	6,158,824.00	6,589,947.00	7,002,355.63	-412,408.63
Student Transportation Services	4,811,843.00	5,063,000.00	5,215,975.97	-152,975.97
Central Support Services	719,733.00	728,233.00	690,999.69	37,233.31
Other Support Services	118,386.00	85,983.00	178,692.26	-92,709.26
Enterprise Operations			179,139.54	-179,139.54
Community Services			4,038.24	-4,038.24
Food Services Operation	5,741,307.00	5,741,307.00	5,247,448.83	493,858.17
Debt Service				
Interest			15,871.44	-15,871.44
<b>Total Expenditures</b>	<b>90,258,990.00</b>	<b>90,361,130.00</b>	<b>88,744,626.40</b>	<b>1,616,503.60</b>
Excess of Revenues over (under) Expenditures	0.00	35,082.00	2,664,255.12	2,629,173.12
<b>OTHER FINANCING USES</b>				
Other Uses			-14,164.76	-14,164.76
<b>Net Change in Fund Balances</b>	<b>0.00</b>	<b>35,082.00</b>	<b>2,650,090.36</b>	<b>2,615,008.36</b>
Fund Balances - Beginning	4,003,901.74	4,005,545.11	4,467,624.66	462,079.55
Fund Balances - Ending	<u>\$ 4,003,901.74</u>	<u>\$ 4,040,627.11</u>	<u>\$ 7,117,715.02</u>	<u>\$ 3,077,087.91</u>

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

- (1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are \$466,686.75 and \$476,964.57, respectively.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.



LOWNDES COUNTY BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2015

SCHEDULE "5"

FUNDING AGENCY PROGRAM/GRANT	<u>CFDA NUMBER</u>	<u>PASS- THROUGH ENTITY ID NUMBER</u>	<u>EXPENDITURES IN PERIOD</u>
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ <u>5,176,363.66</u> (1)
Total Child Nutrition Cluster			5,176,363.66
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
Fresh Fruit and Vegetable Program	10.582	N/A	<u>1,418.43</u>
Total U. S. Department of Agriculture			<u>5,177,782.09</u>
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	* 84.027	N/A	2,200,952.92
Preschool Grants	* 84.173	N/A	<u>94,933.42</u>
Total Special Education Cluster			<u>2,295,886.34</u>
Other Programs			
Direct			
Impact Aid	84.041		(3)
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	84.395	N/A	6,100.00
Career and Technical Education - Basic Grants to States	84.048	N/A	99,090.11
Education for Homeless Children and Youth	84.196	N/A	30,864.00
English Language Acquisition Grants	84.365	N/A	44,266.18
Improving Teacher Quality State Grants	84.367	N/A	412,232.29
Migrant Education - State Grant Program	84.011	N/A	100,638.03
Title I Grants to Local Educational Agencies	84.010	N/A	<u>2,081,834.53</u>
Total Other Programs			<u>2,775,025.14</u>
Total U. S. Department of Education			<u>5,070,911.48</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			<u>(4)</u>
Total Expenditures of Federal Awards			\$ <u><u>10,248,693.57</u></u>

N/A = Not Available

LOWNDES COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

SCHEDULE "5"

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$305,236.29.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$860,379.20) were not maintained separately and are included in the 2015 National School Lunch Program.
- (3) Funds earned on the Impact Aid Program, in the amount of \$305,609.07, do not require reporting of expenditures.
- (4) Expenditures on this program were supported by \$48,503.17 in Federal assistance.

Major Programs are identified by an asterisk (\*) in front of the CFDA number.

The School District did not provide Federal Assistance to any Subrecipient.

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Lowndes County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

LOWNDES COUNTY BOARD OF EDUCATION  
 SCHEDULE OF STATE REVENUE  
 YEAR ENDED JUNE 30, 2015

SCHEDULE "6"

<u>AGENCY/FUNDING</u>	GOVERNMENTAL FUND TYPE <u>GENERAL</u> <u>FUND</u>
<b>GRANTS</b>	
Behavioral Health, Georgia Department of Suicide Prevention	\$ 40,000.00
Bright From the Start: Georgia Department of Early Care and Learning Pre-Kindergarten Program	1,255,007.30
Education, Georgia Department of Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	3,674,530.00
Kindergarten Program - Early Intervention Program	243,516.00
Primary Grades (1-3) Program	8,301,725.00
Primary Grades - Early Intervention (1-3) Program	750,822.00
Upper Elementary Grades (4-5) Program	3,787,619.00
Upper Elementary Grades - Early Intervention (4-5) Program	587,469.00
Middle School (6-8) Program	6,808,706.00
High School General Education (9-12) Program	5,439,068.00
Vocational Laboratory (9-12) Program	1,589,592.00
Students with Disabilities	7,825,198.00
Gifted Student - Category VI	1,538,238.00
Remedial Education Program	131,975.00
Alternative Education Program	453,960.00
English Speakers of Other Languages (ESOL)	325,965.00
Media Center Program	1,150,544.00
20 Days Additional Instruction	350,443.00
Staff and Professional Development	192,207.00
Indirect Cost	
Central Administration	1,292,899.00
School Administration	2,028,797.00
Facility Maintenance and Operations	2,641,523.00
Categorical Grants	
Pupil Transportation	
Regular	1,034,488.00
Nursing Services	193,294.00
Vocational Supervisors	26,136.00
Principal Staff and Professional Development	3,171.00
Education Equalization Funding Grant	3,154,367.00
Food Services	139,600.00
Vocational Education	133,808.00
Amended Formula Adjustment	-4,415,092.00
Unrestrict Other State Programs	
GNETS State Grant	2,078,703.00
Math and Science Supplements	82,112.05
Preschool Handicapped Program	249,520.00
Pupil Transportation - State Bonds	617,760.00
Teacher of the Year	1,014.25
Teachers' Retirement	28,952.72
Office of the State Treasurer	
Public School Employees Retirement	217,945.00
	\$ 53,955,582.32

See notes to the basic financial statements.

LOWNDES COUNTY BOARD OF EDUCATION  
 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
 YEAR ENDED JUNE 30, 2015

SCHEDULE "7"

	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEAR (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
<b>SPLOST IV PROJECTS</b>							
(a) Retiring previously incurred general obligation debt of the School District	\$ 39,200,000.00	\$ 39,200,000.00	\$ 6,660,000.00	\$ 16,475,000.00			June 2018
(b) the addition, renovation, repair and improvement to existing school buildings and facilities, including, but not limited to, all existing elementary and middle schools and Lowndes High School	39,942,150.00	11,386,586.00	1,204,680.84	1,268,306.82			June 2018
(c) planning and design of new school buildings and facilities, including, but not limited to, a new high school and a new auditorium/performing arts facility	780,000.00	780,000.00					June 2018
(d) the acquisition of technology equipment, security and safety equipment, textbooks, band and other musical instruments, vocational equipment and physical education and athletic equipment	9,552,850.00	9,552,850.00	1,837,077.65	2,076,367.72			June 2018
(e) the acquisition of school vehicles, including, but not limited to, school buses and maintenance vehicles and equipment	5,400,000.00	5,200,000.00	182,068.39	166,310.72			June 2018
(f) the acquisition of any property necessary and desirable therefore, both real and personal		200,000.00	44,405.00				June 2018
(g) the repayment of general obligation debt incurred through temporary loans for capital outlay project expenses							
Total SPLOST IV Projects	<u>\$ 94,875,000.00</u>	<u>\$ 66,319,436.00</u>	<u>\$ 9,928,231.88</u>	<u>\$ 19,985,985.26</u>			

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Lowndes County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	\$ 15,821,139.92
Current Year	<u>1,209,680.00</u>
Total	<u>\$ 17,030,819.92</u>

See notes to the basic financial statements.

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LOWNDES COUNTY BOARD OF EDUCATION  
 GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)  
 ALLOTMENTS AND EXPENDITURES BY PROGRAM  
 YEAR ENDED JUNE 30, 2015

SCHEDULE "8"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 4,260,537.00	\$ 3,831,085.45	\$ 97,450.77	\$ 3,928,536.22
Kindergarten Program-Early Intervention Program	268,167.00	246,397.62	456.62	246,854.24
Primary Grades (1-3) Program	9,546,416.00	8,750,703.78	250,181.54	9,000,885.32
Primary Grades-Early Intervention (1-3) Program	870,595.00	919,828.94	4,795.16	924,624.10
Upper Elementary Grades (4-5) Program	4,359,742.00	4,988,662.60	139,741.75	5,128,404.35
Upper Elementary Grades-Early Intervention (4-5) Program	685,686.00	561,378.52	2,046.89	563,425.41
Middle School (6-8) Program	7,923,449.00	8,619,453.04	217,084.94	8,836,537.98
High School General Education (9-12) Program	6,290,313.00	7,983,326.86	271,652.78	8,254,979.64
Vocational Laboratory (9-12) Program	1,868,467.00	1,684,836.81	148,382.29	1,833,219.10
Students with Disabilities	9,002,226.00			
Category I		138,929.79	7,058.49	145,988.28
Category II		492,134.05	2,136.90	494,270.95
Category III		6,546,059.16	51,028.98	6,597,088.14
Category IV		183,812.87	14,042.58	197,855.45
Category V			14,460.28	14,460.28
Gifted Student - Category VI	1,788,860.00	1,056,438.09	17,193.24	1,073,631.33
Remedial Education Program	155,072.00	9,441.77	1,116.94	10,558.71
Alternative Education Program	528,804.00	764,302.01	3,469.27	767,771.28
English Speakers of Other Languages (ESOL)	375,916.00	509,491.37	805.60	510,296.97
<b>TOTAL DIRECT INSTRUCTIONAL PROGRAMS</b>	<b>47,924,250.00</b>	<b>47,286,282.73</b>	<b>1,243,105.02</b>	<b>48,529,387.75</b>
Media Center Program	1,330,151.00	1,254,646.73	85,021.76	1,339,668.49
Staff and Professional Development	222,690.00	64,975.65	61,960.76	126,936.41
<b>TOTAL QBE FORMULA FUNDS</b>	<b>\$ 49,477,091.00</b>	<b>\$ 48,605,905.11</b>	<b>\$ 1,390,087.54</b>	<b>\$ 49,995,992.65</b>

(1) Comprised of State Funds plus Local Five Mill Share.

(2) Allotments do not include the impact of the State amended formula adjustment.

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



## DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156  
Atlanta, Georgia 30334-8400

**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

July 15, 2016

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Lowndes County Board of Education

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowndes County Board of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Lowndes County Board of Education's basic financial statements, and have issued our report thereon dated July 15, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lowndes County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lowndes County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lowndes County Board of Education's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items FS 2015-001 and FS 2015-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lowndes County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Lowndes County Board of Education in a separate letter dated July 15, 2016.

### **Lowndes County Board of Education's Response to Findings**

Lowndes County Board of Education's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lowndes County Board of Education's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin  
State Auditor



## DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156  
Atlanta, Georgia 30334-8400

**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

July 15, 2016

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Lowndes County Board of Education

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ladies and Gentlemen:

### **Report on Compliance for Each Major Federal Program**

We have audited Lowndes County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Lowndes County Board of Education's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lowndes County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lowndes County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lowndes County Board of Education's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Lowndes County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control over Compliance**

Management of Lowndes County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lowndes County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lowndes County Board of Education's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin  
State Auditor

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

LOWNDES COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

FS-6921-13-01	Previously Reported Corrective Action Implemented
FS-6921-13-02	Previously Reported Corrective Action Implemented
FS 2014-001	Previously Reported Corrective Action Implemented
FS 2014-002	Previously Reported Corrective Action Implemented
FS 2014-003	Unresolved – See Corrective Action/Responses

**CORRECTIVE ACTION/RESPONSES**

REVENUES/RECEIVABLES/RECEIPTS  
Inadequate Controls over School Activity Accounts  
Finding Control Number: FS 2014-003

The Board is working to implement the recommendations of the Department of Audits.  
Procedures are being set up to strengthen the controls over school activity accounts.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

LOWNDES COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2015

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issue: Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
▪ Material weakness identified?	No
▪ Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted:	No

**Federal Awards**

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	No
Type of auditor's report issued on compliance for major programs: All major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$318,084.17
Auditee qualified as low-risk auditee?	No

LOWNDES COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

FS 2015-001 Inadequate Controls over School Activity Accounts  
Control Category: Revenues/Receivables/Receipts  
Internal Control Impact: Significant Deficiency  
Compliance Impact: None  
Repeat of Prior Year Finding: FS 2014-003

**Description:**

The accounting procedures of the School District were insufficient to provide for adequate internal controls over the School Activity Accounts.

**Criteria:**

The School District's management is responsible for designing and maintaining internal controls that provide proper segregation of duties and reasonable assurance that transactions are processed according to established procedures.

**Condition:**

The following errors were noted with the School District's school activity accounts:

**Revenue/Receipts/Receivables**

The following deficiencies were noted during our test of eighteen receipt transactions:

- Pre-numbered receipts were not utilized for athletic events.
- School District employees were paid directly from cash on hand from athletic event receipts rather than being properly run through the payroll process.
- One gate receipt was not properly documented.
- One gate receipt reconciliation contained an unidentified variance.
- Receipts for a T-shirt sale were not reconciled to the number of items sold.

**Cause:**

In discussing these issues with management, they stated that the internal control deficiencies related to School Activity Accounts occurred due to a shortage of personnel at the school and a failure of personnel to follow the established policies and procedures.

**Effect or Potential Effect:**

Failure to maintain adequate internal controls over school activity accounts increases the risk that misstatements could occur in the financial statements due to errors and/or irregularities and not be detected in a timely manner.

**Recommendation:**

Management should implement controls to ensure that all receipts are recorded and properly documented. Additionally, management should ensure that all employee compensation is handled through the payroll process. Management should monitor controls to provide reasonable assurance that transactions are processed according to established procedures.

**Views of Responsible Officials and Corrective Action Plans:**

The Board concurs with this finding and is implementing the auditor's recommendations. Procedural changes are being executed to strengthen controls over the receipts processes for the functions noted.



LOWNDES COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Estimated Corrective Action Date: July 1, 2016

Contact Person: Lee Goodman, Accountant

Telephone: (229) 245-2250

Fax: (229) 245-2255

E-mail: leegoodman@lowndes.k12.ga.us

FS 2015-002

Control Category:

Internal Control Impact:

Compliance Impact:

Management Override of Expenditure Process Internal Controls

Expenditures/Liabilities/Disbursements

Significant Deficiency

None

### Description:

The School District's controls over the expenditure process were overridden by a member of management resulting in an unapproved expenditure and expenditures not following the proper bid process.

### Criteria:

The School District's management is responsible for maintaining internal controls that provide reasonable assurance that all transactions are properly approved, documented, processed and reported in accordance with State law, procedures established by the Georgia Department of Education and School District policies and procedures.

### Condition:

Management override related to the expenditure process was noted as follows:

- A member of management purchased a piece of equipment, in the amount of \$169,950.00, without Board approval. According to entity policy, purchases over \$25,000 require the use of sealed bids and both Superintendent and Board approval.
- Another piece of equipment was purchased, in the amount of \$67,500, with Board approval. However, the Board did not obtain sealed bids as required by the Board's purchasing policy.

### Cause:

A member of management circumvented the designed controls over the expenditure process.

### Effect or Potential Effect:

The lack of adequate controls over the expenditure process may result in misstatements which would not be detected and corrected by management.

### Recommendation:

Management override should not be used to circumvent established internal controls. The School District should review the controls and procedures currently in place, identify weaknesses, and design and implement procedures necessary to strengthen controls over the expenditure process.

LOWNDES COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

**Views of Responsible Officials and Corrective Action Plans:**

The Board concurs with this finding. According to the Policy of the Lowndes County Board of Education, a purchase of \$5,000 up to \$25,000 requires three quotes. The policy and procedures of the Board and School District further instruct that purchases of \$25,000 or more would need to meet the following criteria prior to being requisitioned through the Purchase Order Process:

- 1) bids (or proposals) are solicited from an appropriate representation of vendors with direct instructions on sealed bids,
- 2) the Director or Designee makes a recommendation with the documentation of the sealed bids,
- 3) the recommendation is presented to the Board as a discussion item on an approved agenda,
- 4) the recommendation subsequently appears in the Board's consent agenda,
- 5) with a motion, a second, and a majority vote the Board approves the project or purchase.

The School District has made several personnel changes and internal procedures have been refined and recommunicated to employees in order to address these policy violations. Vendors are now encouraged to sign up on our purchasing site at <http://bids.lowndes.k12.ga.us>.

Estimated Corrective Action Date: July 1, 2016

Contact Person: Lee Goodman, Accountant

Telephone: (229) 245-2250

Fax: (229) 245-2255

E-mail: [leegoodman@lowndes.k12.ga.us](mailto:leegoodman@lowndes.k12.ga.us)

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters noted.